



eMemory Technology Inc. Reports Results for the Fourth Quarter and Full-Year 2015

Hsinchu, Taiwan, 23rd February, 2016 – eMemory announces its financial results for the fourth quarter and full-year ended 31 December 2015.

Q4 2015 – Unaudited Financial Summary (Unit: NT\$ thousands)	Q4 2015	Q4 2014	% Change
Net revenue	300,878	258,159	16.5%
Gross margin	100%	100%	-
Operating expenses	156,216	148,466	5.2%
Operating margin	48.1%	42.5%	5.6
Net income	128,090	100,931	26.9%
Net margin	42.6%	39.1%	3.5
EPS (NT\$ per common share)	1.69	1.33	27.1%

FY 2015 – Unaudited Financial Summary (Unit: NT\$ thousands)	FY 2015	FY 2014	% Change
Net revenue	1,091,620	1,003,977	8.7%
Gross margin	100%	100%	-
Operating expenses	570,403	540,286	5.6%
Operating margin	47.7%	46.2%	1.5
Net income	479,111	418,604	14.5%
Net margin	43.9%	41.7%	2.2
EPS (NT\$ per common share)	6.32	5.52	14.5%

Q4 and full-year 2015 Financial Highlights

- Revenue in Q4 2015 was up 16.5% over Q4 2014. Full-year revenue was up 8.7% year-on-year.
- Operating expenses in Q4 2015 were up 5.2% as compared to Q4 2014. Full-year operating expenses were up 5.6% year-on-year.
- Net income in Q4 2015 was up 26.9% as compared to Q4 2014. Full-year net income was up 14.5% year-on-year.
- Net margin in Q4 2015 was up 3.5ppts as compared to Q4 2014. Full-year net margin was up 2.2ppts year-on-year.
- EPS in Q4 2015 was up 27.1% over the same period of last year. Full-year EPS was up 14.5% year-on-year.

Progress on key growth drivers in 2015

- Growth in technology licensing
 - 28 technology licenses signed with 12 customers in 2015. Within these licenses, 100 process platforms are currently being developed, which covering from 0.28um to 10nm.



- Growth in design licensing
 - 406 design licenses in 2015 for a broad range of applications including in DDI, PMIC, MCU, and sensor related.
 - By the end of 2015, the number of cumulative design licenses signed total up to 3,161.

Outlook

Looking forward to the future, the revenue from license fee expected to grow due to the successful development in advance nodes, and royalty revenue from the applications of PMIC, DDI and Set-top box/DTV processor are continuing their momentum. We are forecasting 2016 to be another year of good growth.

The future outlook summarized as follow:

- License fee expected to grow due to the successful development and expansion in advanced nodes.
- PMIC continually extends to the application of wireless charger and fast charger related products.
- Advance DDI in 55nm continues volume production. In the past two years, we supported more than 50 products tape-out.
- 28nm Set-top Box/DTV processors start to volume production. More customers will tape-out new products in Q1 2016.
- The applications of Fingerprint and CIS customers started to small volume production.
- The qualification of 16nm FF⁺ started and expected to be completed at end of March 2016.
- The verification of 16nm FFC is successful, qualification will be started in Q1 2016.
- 10nm FF IP will tape-out in March.
- More projects on automotive, the applications extend from PMIC to LCD Driver.

Management remarks

Licensing fee and royalty income were both increase over 8.7% year-on-year. In 2015, 28 license contracts have been signed. It grows more than 30% as it compare to the year of 2014. With the new platforms developed and new product tape-outs over the past few years, we expect that the revenue will continue to grow with good momentum in the coming and next years.

Financial review

Q4 2015 – Revenue Breakdown (Unit: NT\$ thousands)	Q4 2015	Q4 2014	% Change
Licensing	69,307	51,849	33.67%
Royalty	231,571	206,310	12.24%
Total	300,878	258,159	16.55%

FY 2015 – Revenue Breakdown (Unit: NT\$ thousands)	2015	2014	% Change
Licensing	267,512	246,073	8.71%
Royalty	824,108	757,904	8.74%
Total	1,091,620	1,003,977	8.73%



Total revenues

Total revenues in Q4 2015 were NT\$ 300.88 million, up 16.55% versus Q4 2014.

Full-year 2015 revenues amounted to NT\$1,091.62 million, up 8.73% on full-year 2014.

Licensing revenues

Licensing revenues in Q4 2015 increased by 33.67% to NT\$ 69.31 million as compared to Q4 2014, representing 23.03% of Q4 revenue.

The increased in licensing revenue is due to the development and expansion in advance nodes. We have 100 process platforms underdeveloped, including 16 in NeoBit, 38 in NeoFuse, 26 in NeoEE and 20 in NeoMTP.

Full-year 2015 licensing revenues amounted to NT\$ 267.51 million, up 8.71% versus 2014.

Royalty revenues

Royalty revenues in Q4 2015 were up 12.24% to NT\$231.57 million as compared to Q4 2014, representing 76.97% of Q4 revenue.

Royalty revenues is 72% from 8-inch and 28% is from 12-inch wafer production in Q4 2015. Mainly comes from the applications of PMIC, DDI and consumers related IC. Royalty revenues from 12-inch wafer production in Q4 2015 have increased 76% as compared to Q4 2014.

Full-year 2015 royalty revenues were NT\$824.11 million, up 8.74% year-on-year.

Gross margin

Gross margin in Q4 2015 was 100% equal to in Q4 2014.

Operating expenses and operating margin

Operating expenses in Q4 2015 increased by 5.2% year-on-year to NT\$156.22 million. Full-year 2015 operating expenses were NT\$570.40 million, up 5.6% than full-year 2014. The increased in operating expenses are mainly due to annual salary adjustment and investing on design and testing tool.

Operating margin in Q4 2015 was 48.1%, up 5.6ppts versus Q4 2014. Full-year 2015 operating margin was 47.7%, up 1.5ppts than 2014.

Earnings and income tax expense

Net income in Q4 2015 increased by 26.9% to NT\$128.09 million as compare to Q4 2014. Full-year 2015 net income was NT\$479.11 million, up 14.5% as compared to 2014.

Income tax expense in Q4 2015 was NT\$ 16.95 million, up 15.62% from Q4 2014. Full-year 2015 income tax expense totaled NT\$64.18 million, up 10.79% from 2014.

In Q4 2015, earnings per share were NT\$1.69, up 27.1% from Q4 2014. Full-year 2015 earnings per share were NT\$6.32, up 14.5% from NT\$5.52 in 2014.



Balance sheet

At the end of 2015, cash and marketable securities totaled NT\$1,367.02 million, increased by NT\$43.86 million from 2014.

Total current liabilities were NT\$200.26 million, increased by NT\$18.09 million from 2014. The increase was mainly due to higher bonus provisions.

Net working capital was NT\$1,238.99 million, increased by NT\$38.93 million as compared to 2014.

Cash flow and dividend

On a full-year basis, cash generated from operating activities increased by NT\$44.85 million to NT\$518.46 million in 2015.

Net cash used in investing activities was NT\$20.13 million, decreased by NT\$39.88 million compared to 2014, primarily attributed to the decrease of investments in debt securities and the acquisition of property, plant and equipment.

Net cash used in financing activities increased NT\$151.15 million to NT\$454.27 million. The increase was mainly due to the payment of cash dividends.

At the end of 2015, eMemory's cash balance was NT\$1,367.02 million, increased by NT\$43.86 million as compared to 2014.

Licensing

In 2015, 28 technology licenses were signed with 12 customers. Within these licenses, we are currently developing 100 process platforms which covering from 0.18um to 10nm, reflecting the ongoing demand for eMemory's technology. These technology licenses are summarized as follows:

- Progress in advance nodes:
 - In 10nm FF process, IP is under development and will be tapped out at the end of March 2016.
 - In 16nm process, 3 platforms are under development. Among them, 16nm FF⁺ was qualified and expected to be completed at the end of March 2016, and the verification 16nm FFC is successful and will start qualification in Q1 2016.
 - In 28nm process, IPs were qualified in 5 process nodes, 3 customer tape-outs were delivered, and 14 platforms are under development.
 - In 40nm process, IPs were qualified in 2 process nodes, and 9 platforms are under development.
 - In 55nm process, IPs were qualified in 10 process nodes, 24 customer tape-outs were delivered, and 22 platforms are under development.
 - In 90nm process, IPs were qualified in 5 process nodes, 3 customer tape-outs were delivered, and 11 platforms are under development.
- Progress in legacy nodes:
 - 59 platforms were under development.

In Q4 2015, we supported 113 customer product tape-outs in design licensing which covering from 0.35um to 28nm. These tape-outs are 32 in LCD driver, 19 in PMIC, 21 in MCU, 20 in sensor related, 3 in net work IC and 18 in other related applications.



Royalty

eMemory is gaining share in a broad spectrum of applications. The following are the main contributors to royalty revenue:

- PMIC customers continuing increase their production volume and extend to the application of wireless charger and fast charger related products.
- Advance DDI in 55nm continues their momentum, more than 50 products tape-out we done in past two years; we expect the royalty will continue to grow.
- 28nm Set-top Box/DTV processor starts to volume production. Customers will tape out new products in Q1 2016.
- More projects related on automotive, the applications extend from PMIC to LCD Driver.

Employees

At 31 December 2015, eMemory had 228 full-time employees, an increase of 4.6% compared to 2014. Among them 157 are R&D engineers.

Cautionary Statement

This report contains forward-looking statements, which are subject to risk factors associated with semiconductor and intellectual property business. It is believed that the expectations reflected in these statements are reasonable. But they may be affected by a variety of variables, many of which are beyond our control. These variables could cause actual results or trends to differ materially which include, but are not limited to: wafer price fluctuation, actual demand, rapid technology change, delays or failures of customers' tape-outs into wafer production, our ability to negotiate, monitor and enforce agreements for the determination and payment of royalties, any bug or fault in our technology which leads to significant damage to our technology and reputation, actual or potential litigation, semiconductor industry cycle and general economic conditions. Except as required by law, eMemory undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Contacts

Heidi Chiu

Investor Relations

eMemory Technology Inc.

+886-3-5601168

ir@ememory.com.tw

-Financial Tables To Follow-

eMemory Technology Inc. and Subsidiary

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

ASSETS	December 31, 2015		December 31, 2014 (Restatement)		LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2015		December 31, 2014 (Restatement)	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$1,367,019	67	\$1,323,163	67	Other payables	\$ 80,331	4	\$ 82,006	4
Accounts receivable - net	55,539	3	49,019	3	Bonuses payable to employees, directors and supervisors	77,899	4	64,207	3
Accounts receivable - related parties	-	-	1,325	-	Payables on equipment	6,135	-	8,021	-
Other receivables	641	-	508	-	Current tax liabilities	15,189	1	19,792	1
Other receivables - related parties	57	-	105	-	Other current liabilities	20,706	1	8,147	1
Prepayments	11,625	1	7,363	-	Total current liabilities	<u>200,260</u>	<u>10</u>	<u>182,173</u>	<u>9</u>
Other current assets	4,372	-	748	-	NON-CURRENT LIABILITIES				
Total current assets	<u>1,439,253</u>	<u>71</u>	<u>1,382,231</u>	<u>70</u>	Net defined benefit liability - noncurrent	17,591	1	14,669	1
NON-CURRENT ASSETS					Guarantee deposits received	840	-	415	-
Financial assets measured at cost - noncurrent	15,500	1	16,675	1	Total non-current liabilities	<u>18,431</u>	<u>1</u>	<u>15,084</u>	<u>1</u>
Investments in debt instrument without active market - noncurrent	33,609	2	33,608	2	Total liabilities	<u>218,691</u>	<u>11</u>	<u>197,257</u>	<u>10</u>
Investment accounted for using equity method	6,645	-	3,981	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				
Property, plant and equipment	491,612	24	503,671	25	Ordinary shares	<u>768,323</u>	<u>38</u>	<u>768,323</u>	<u>39</u>
Intangible assets	42,885	2	37,763	2	Capital surplus	<u>455,370</u>	<u>22</u>	<u>521,569</u>	<u>26</u>
Deferred tax assets	5,704	-	3,135	-	Retained earnings				
Refundable deposits	265	-	1,857	-	Legal reserve	184,051	9	142,194	7
Total non-current assets	<u>596,220</u>	<u>29</u>	<u>600,690</u>	<u>30</u>	Special reserve	926	-	926	-
					Unappropriated earnings	<u>476,861</u>	<u>23</u>	<u>421,401</u>	<u>21</u>
					Total retained earnings	<u>661,838</u>	<u>32</u>	<u>564,521</u>	<u>28</u>
					Treasury shares	(68,749)	(3)	(68,749)	(3)
					Total equity	<u>1,816,782</u>	<u>89</u>	<u>1,785,664</u>	<u>90</u>
TOTAL	<u>\$2,035,473</u>	<u>100</u>	<u>\$1,982,921</u>	<u>100</u>	TOTAL	<u>\$2,035,473</u>	<u>100</u>	<u>\$1,982,921</u>	<u>100</u>

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restatement)	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 1,091,620	100	\$ 1,003,977	100
OPERATING COSTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>1,091,620</u>	<u>100</u>	<u>1,003,977</u>	<u>100</u>
OPERATING EXPENSES				
Selling and marketing expenses	94,431	8	87,484	8
General and administrative expenses	128,143	12	133,148	14
Research and development expenses	<u>347,829</u>	<u>32</u>	<u>319,654</u>	<u>32</u>
Total operating expenses	<u>570,403</u>	<u>52</u>	<u>540,286</u>	<u>54</u>
OPERATING REVENUE	<u>521,217</u>	<u>48</u>	<u>463,691</u>	<u>46</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	24,817	2	20,387	2
Other gains and losses	4,172	-	2,079	-
Share of loss of associates	<u>(6,919)</u>	<u>(-)</u>	<u>(9,623)</u>	<u>(-)</u>
Total non-operating income and expenses	<u>22,070</u>	<u>2</u>	<u>12,843</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	543,287	50	476,534	48
INCOME TAX EXPENSE	<u>64,176</u>	<u>6</u>	<u>57,930</u>	<u>6</u>
NET PROFIT FOR THE YEAR	<u>479,111</u>	<u>44</u>	<u>418,604</u>	<u>42</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	<u>(2,883)</u>	<u>-</u>	<u>1,080</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>(2,883)</u>	<u>-</u>	<u>1,080</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 476,228</u>	<u>44</u>	<u>\$ 419,684</u>	<u>42</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 479,111	44	\$ 418,604	42
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 479,111</u>	<u>44</u>	<u>\$ 418,604</u>	<u>42</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Restatement)	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 476,228	44	\$ 419,684	42
Non-controlling interests	-	-	-	-
	<u>\$ 476,228</u>	<u>44</u>	<u>\$ 419,684</u>	<u>42</u>
EARNINGS PER SHARE				
Basic	<u>\$ 6.32</u>		<u>\$ 5.52</u>	
Diluted	<u>\$ 6.30</u>		<u>\$ 5.51</u>	

(Concluded)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	Ordinary Shares		Capital Surplus	Retained Earnings			Treasury Shares	Total Equity	
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings			Total Retained Earnings
BALANCE, JANUARY 1, 2014	76,833	\$ 768,323	\$ 556,787	\$ 113,130	\$ 926	\$ 292,536	\$ 406,592	(\$ 68,749)	\$ 1,662,953
Effects of retrospective application and retrospective restatement	-	-	-	-	-	(179)	(179)	-	(179)
Equity at beginning of period after adjustments	76,833	768,323	556,787	113,130	926	292,357	406,413	(68,749)	1,662,774
Appropriations of 2013 earnings									
Legal reserve	-	-	-	29,064	-	(29,064)	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(261,576)	(261,576)	-	(261,576)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	6,335	-	-	-	-	-	6,335
Issue of cash dividends from capital surplus	-	-	(41,553)	-	-	-	-	-	(41,553)
Net profit for the year ended December 31, 2014	-	-	-	-	-	418,604	418,604	-	418,604
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	-	1,080	1,080	-	1,080
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	419,684	419,684	-	419,684
ADJUSTED BALANCE, DECEMBER 31, 2014	76,833	768,323	521,569	142,194	926	421,401	564,521	(68,749)	1,785,664
Appropriations of 2014 earnings									
Legal reserve	-	-	-	41,857	-	(41,857)	-	-	-
Cash dividends distributed by the Group	-	-	-	-	-	(378,911)	(378,911)	-	(378,911)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	9,583	-	-	-	-	-	9,583
Issue of cash dividends from capital surplus	-	-	(75,782)	-	-	-	-	-	(75,782)
Net profit for the year ended December 31, 2015	-	-	-	-	-	479,111	479,111	-	479,111
Other comprehensive loss for the year ended December 31, 2015	-	-	-	-	-	(2,883)	(2,883)	-	(2,883)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	476,228	476,228	-	476,228
BALANCE, DECEMBER 31, 2015	76,833	\$ 768,323	\$ 455,370	\$ 184,051	\$ 926	\$ 476,861	\$ 661,838	(\$ 68,749)	\$ 1,816,782

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 543,287	\$ 476,534
Adjustments for:		
Depreciation expenses	26,885	27,969
Amortization expenses	8,518	9,017
Bad debt expense (reversal of bad debt expense) on accounts receivable	(2,566)	1,760
Interest income	(13,507)	(12,853)
Dividend income	(8,629)	(5,753)
Share of loss of associates	6,919	9,623
Loss on disposal of property, plant and equipment	95	-
Gain on disposal of investments	(139)	(447)
Impairment losses on financial assets	1,175	5,262
Net gain on foreign currency exchange	(447)	(6,640)
Changes in operating assets and liabilities		
Accounts receivable	(3,237)	(12,200)
Accounts receivable - related parties	1,299	(1,012)
Other receivables	(130)	5
Other receivables - related parties	48	2
Prepayments	(4,249)	(1,927)
Other current assets	(3,624)	41
Other payables	(1,675)	21,227
Other current liabilities	12,559	(3,148)
Net defined benefit liability	39	28
Bonuses payable to employees, directors and supervisors	<u>13,692</u>	<u>19,742</u>
Cash generated from operations	576,313	527,230
Interest received	13,484	12,823
Income tax paid	(<u>71,341</u>)	(<u>66,450</u>)
Net cash generated from operating activities	<u>518,456</u>	<u>473,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale financial assets	(522,000)	(305,644)
Proceeds from disposal of available-for-sale financial assets	522,139	306,091
Acquisition of investments in debt instrument without active market	(1)	(32,068)
Acquisition of property, plant and equipment	(16,846)	(19,834)
Increase in refundable deposits	-	(27)
Decrease in refundable deposits	1,592	-
Acquisition of intangible assets	(13,640)	(14,279)
Dividend received	<u>8,629</u>	<u>5,753</u>
Net cash used in investing activities	<u>(20,127)</u>	<u>(60,008)</u>

(Continued)

eMemory Technology Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Restatement)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(\$ 454,693)	(\$ 303,129)
Increase in guarantee deposits received	<u>425</u>	<u>10</u>
Net cash used in financing activities	(<u>454,268</u>)	(<u>303,119</u>)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(<u>205</u>)	<u>4,300</u>
NET INCREASE IN CASH	43,856	114,776
CASH AT THE BEGINNING OF THE YEAR	<u>1,323,163</u>	<u>1,208,387</u>
CASH AT THE END OF THE YEAR	<u>\$ 1,367,019</u>	<u>\$ 1,323,163</u>

(Concluded)